

Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 L-03 FEA-02 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03

INR-11 INT-08 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03

OPIC-12 PA-04 USIA-15 PRS-01 DRC-01 /186 R

DRAFTED BY ARA-LA/EP:RFWEBER:ET

APPROVED BY ARA-EP:SPRINGLE

FB/IFD/OIA:RSMITH

L/ARA:DGANTZ

FB/ORF/FSE:WWHITMAN

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P 132107Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY QUITO PRIORITY

C O N F I D E N T I A L STATE 176947

E.O. 11652: GDS

TAGS: ENGR, EC, EINV

SUBJECT: PETROLEUM:ADA CASE

REF: QUITO 5248

1. LASSITER OF ADA TELEPHONED ARA/EP MORNING OF AUGUST 13 TO DISCUSS LATEST DEVELOPMENTS IN ADA CASE. WE CONVEYED SUBSTANCE OF REFTEL. HE REPORTED THAT OWNERS' MEETING IN HOUSTON HAD DECIDED THAT IT IS IMPERATIVE THAT THEY NOW TAKE A STRONG STAND TO PROTECT THEIR RIGHTS. THEY VERY UNHAPPY WITH HOSTILE ATTITUDE OF COMMISSION, PARTICULARLY ATTORNEY GENERAL, KAROLYS, AND HAVE DECIDED TO SEND IDENTICAL LETTERS TO PRESIDENT RODRIGUEZ AND ALL MEMBERS OF COMMISSION. LETTER WHICH HE HOPES HAVE BASTIDES DELIVER LATE THIS WEEK OR EARLY NEXT WEEK WOULD, INTER ALIA, ASSERT ADA'S
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INNOCENCE, RESERVE ALL ADA RIGHTS IN CONCESSION, STATE

THAT ADA UNABLE TO PARTICIPATE IN BIDDING PROCEDURE UNDER PRESENT CIRCUMSTANCES, PROTEST THE GOE ACTION IN SIMULTANEOUSLY CONDUCTING A NEW BIDDING AND ESTABLISHING COMMISSION TO DECIDE ON COMPENSATION, INDICATE THAT ADA WILL NOT STAND IDLY BY AND WATCH ITS RIGHTS GIVEN TO OTHERS, STATE THAT IF DEALT WITH FAIRLY ADA IS STILL PREPARED TO COOPERATE AND GO ON WITH ITS ACTIVITIES, BUT THAT IF A JUST SOLUTION CANNOT BE FOUND THAT ADA WILL DO WHAT IT CAN TO PROTECT ITS RIGHTS. HE PROMISED PROVIDE VERBATIM TEXT AS SOON AS DRAFTING IS COMPLETED.

2. LASSITER CLEARLY FEELS THAT TIME IS RUNNING OUT FOR ADA AND IS DETERMINED TO BRING THE ISSUE TO A HEAD BEFORE THE AUGUST 26 DEADLINE FOR BIDDERS PREQUALIFICATION. ADA'S DETERMINATION TO DELIVER THE LETTER AS SOON AS POSSIBLE IS PROBABLY DESIGNED TO SCARE OFF POTENTIAL BIDDERS. LASSITER CLEARLY UNDERSTANDS LIKELIHOOD THAT LETTERS WILL BE LEAKED AND WAS UNENTHUSIASTIC WITH SUGGESTION THAT LETTER GO TO PRESIDENT ONLY. HE SAID IF ONLY SELECTED PORTIONS ARE LEAKED ADA WOULD RESPOND BY PUBLISHING FULL TEXT AS PAID AD IN QUITO AND GUAYAQUIL PRESS. LASSITER NEVERTHELESS ANXIOUS TO HAVE AMBASSADOR'S REACTION TO PROPOSED TACTIC ASAP. (FYI - LASSITER REPORTED THATARAUZ AND CABEZAS UNHAPPY AT COURSE GOE IS FOLLOWING AND HAD ADVISED ADA TO TAKE TOUCH STANCE).

3. ACCORDING TO LASSITER, ADA FULLY AWARE ALLEGED GOE DETERMINATION TO PAY COMPENSATION, BUT THEY CONVINCED THAT GOE ACTIONS DO NOT SUPPORT THIS. THEY PARTICULARLY CONCERNED AT GOE ACTION IN SETTING THE DEADLINES FOR PRE-QUALIFICATION AND SUBMISSION OF BIDS SO THAT THEY WILL OCCUR PRIOR TO LIKELY COMPLETION OF EVALUATION COMMISSION'S WORK. THIS VIEWED BY ADA AS CLEAR EVIDENCE THAT THEY WILL NOT BE DEALT WITH FAIRLY SINCE OUTCOME OF EVALUATION PROCESS IS OF THE UTMOST IMPORTANCE TO ADA IN MAKING A DECISION WHETHER TO SUBMIT A BID. LASSITER INDICATED THAT SEPARATION OF THESE TWO ACTIONS SO THAT THE BIDDING WOULD NOT TAKE PLACE UNTIL CONFIDENTIAL

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AFTER THE COMPLETION OF THE EVALUATION WOULD BE MOST IMPORTANT. DOES EMBASSY BELIEVE THAT THERE IS ANY PROSPECT OF ACHIEVING THIS?

4. LASSITER SAID THAT HE HOPED TO COME TO WASHINGTON AT THE END OF THIS WEEK, OR POSSIBLY EARLY NEXT WEEK FOR MEETINGS WITH DEPARTMENT AND TREASURY OFFICIALS. KISSINGER

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